

**GOVERNMENT OF INDIA
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:5143
ANSWERED ON:20.04.2001
COMPOSITION OF BOARD OF DIRECTORS
BHIM PRASAD DAHAL;THAAWAR CHAND GEHLOT

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

- (a) Whether the Government have amended the guidelines regarding composition of Board of Directors of Public Sector Undertakings issued by them in March, 1992;
- (b) if so, the details thereof and the reasons therefore; and
- (c) the steps taken by the Government for financial restructuring and modernisation of PSUs?

Answer

MINISTER OF STATE FOR HEAVY INDUSTRIES & PUBLIC ENTERPRISES (Dr. VALLABHBHAI KATHIRIA)

(a) & (b) : Yes Sir. The guidelines dated 16.3.1992 regarding composition of Board of Directors of Public Sector Undertakings were amended vide O.M. dated 13.11.1995. When the Navratna/Miniratna schemes were introduced in 1997, it was decided that the boards of these public sector undertakings will be restructured by inducting at least four non-official directors in the case of Navratnas and at least three non-official directors in the case of Miniratnas. The general guidelines dated 16.3.1992 do not provide any minimum number of non-official directors but only state that the number of such directors should be at least one-third of the actual strength of the board. Copies of guidelines dated 13.11.1995 and 22.7.1997 are annexed.

(c): Enterprise specific measures are taken for financial restructuring and modernisation of PSUs. Sick Industrial PSUs are referred to BIFR for formulating appropriate revival/rehabilitation schemes under the provisions of SICA. For other loss making PSUs administrative Ministry in consultation with management and workers of PSU concerned explore various options and devise appropriate measures for restructuring. Other measures taken by the Government include delegation of enhanced powers to Board of Directors particularly of Navratna and Miniratna, professionalisation of Board of Directors, reduction of surplus manpower through VRS, technology upgradation and research & development.

Annexure referred to in the answer to Lok Sabha Unstarred Question No. 5143 dated 20.4.2001.

I. Copy of Department of Public Enterprises Office Memorandum No. 18(6)/91-DPE(GM) dated the 13th November, 1995.

Subject:- Composition of Board of Directors of Public Sector Enterprises.

Reference is invited to this Department's O.M. of even number dated the 16th March, 1992 on the above mentioned subject. In para 2(B)

(ii) of the said O.M., it was, inter-alia, mentioned that the choice of the Nominee Director would vest with the Secretary of the concerned Department. The matter was reconsidered in this Department and it has now been decided that the choice of the Nominee Director would vest with the administrative Ministry of the concerned Department.

2. All Ministries/Departments concerned with Public Sector Enterprises are requested to take note of the above decision and follow the same at the time of composition of Board of Directors of PSEs under their administrative control.

II. Copy of Department of Public Enterprises Office Memorandum No. DPE/11(2)/97-Fin. dated the 22nd July, 1997.

Subject: Turning selected Public Sector Enterprises into Global Giants - Operational and administrative modalities - Restructuring of the Boards.

The Common Minimum Programme of the Government states, inter-alia, that Government will identify public sector enterprises that have comparative advantages and support them in their drive to become global giants. In pursuance of these objectives, the Government have decided to grant enhanced autonomy and delegation of powers to nine selected public sector enterprises, namely, BHEL, BPCL, HPCL, IOC, IPCL, NTPC, ONGC, SAIL and VSNL.

2. The exercise of the enhanced autonomy and authority shall be exercisable only after the Boards have been restructured, as indicated below. It must be ensured that each of these PSEs inducts in the first instance at least four non-official part-time Directors of an impeccable stature and background. This number should be more for those PSEs which have a very large number of functional Directors. It should also be ensured that within six months, the number of non-official part-time Directors is increased to reach at least 1/3rd of the total strength of the Board.
3. The above is in partial modification to the general guidelines issued by the Department of Public Enterprises vide O.M. No. 18(6)/91-GM dated 16th March, 1992.
4. While selection of full-time Directors and part-time Government nominee Directors would continue to be done as per the existing procedures, for selection of the non-official part-time Directors in these companies, a Search Committee comprising Chairman-PESB, Secretary-DPE, Secretary of the administrative Ministry and an eminent person(s) to be nominated by Industry Minister has been set up.
5. The above decision of the Government may please be brought to the notice of the enterprise concerned for taking immediate actions.